

Message Text

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43

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TAGS: EMIN

SUBJECT: INAUGURATION OF U.S. STEEL BRIQUETTING PLANT AT
PUERTO ORDAZ: NATIONALISTIC REMARKS OF MINISTER
OF MINES

1. ON OCTOBER 27 I ATTENDED INAUGURATION BY PRESIDENT CALDERA OF THE ORINOCO IRON MINING COMPANY'S BRIQUETTING PLANT WHICH, AFTER SOME YEARS OF TECHNICAL DIFFICULTIES AND AN INCREASE FROM THE ORIGINAL BUDGET FIGURE OF \$40 MILLION TO \$100 MILLION, HAS AT LONG LAST GONE ON THE STREAM. AS WASHINGTON AGENCIES ARE AWARE, THIS PLANT WILL ENRICH NATURAL IRON ORE FROM 56 PERCENT IRON CONTENT TO 86 PERCENT, THUS MAKING IT POSSIBLE TO CONVERT BRIQUETTES DIRECTLY INTO STEEL IN ELECTRIC FURNACES WITHOUT GOING THROUGH THE PIG IRON PHASE.

2. IN HIS SPEECH COMMEMORATING THIS EVENT, MINISTER OF MINES AND HYDROCARBONS PEREZ LA SALVIA SAID THAT "ALL" OF THE MILLION TON ANNUAL PRODUCTION FROM THE BRIQUETTING PLANT "MUST" BE CONSUMED IN VENEZUELA. HE SAID IN EFFECT "IT IS ONLY RIGHT THAT VENEZUELAN INDUSTRY SHOULD BE THE BENEFICIARY OF THIS NEW PROCESS," AND HE ALLUDED TO POSSIBILITY OF CREATION OF A NEW STATE-OWNED MINING ENTITY SIMILAR TO CVP, IVP AND THE CORPORACION VENEZOLANA DE GUAYANA.

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3. COMMENT: I INQUIRED OF REPRESENTATIVES OF ORINOCO MINING AND SIDOR AS TO WHETHER IN FACT VENEZUELAN STEEL MILLS COULD TAKE THE ENTIRE MILLION TONS OF BRIQUETTE PLANT PRODUCTION. THE ANSWER WAS THE MAXIMUM SIDOR COULD USE WOULD BE 750,000. TONS A YEAR. COHLMeyer, PRESIDENT OF ORINOCO MINING, TELLS ME THAT SIVENSA CAN PROBABLY TAKE AN ADDITIONAL 120,000 TONS ANNUALLY AND THAT PARENT U.S. STEEL STAND READY AND EAGER TO ACCEPT ALL THE BALANCE.

4. DIFFICULTY IS THAT GOV APPARENTLY INTENDS TO OFFER ONLY AN "INTERNAL MARKET PRICE" FOR ORINOCO IRON BRIQUETTES WHICH, ACCORDING TO COHLMeyer, IS SOME TEN DOLLARS A TON LESS THAN EXPORT PRICE. ALTHOUGH HIS COMPANY HAS AN AGREEMENT WITH SIDOR TO PURCHASE BRIQUETTES AT EXPORT PRICE FOR 1973, THIS IS A FAIRLY MEANINGLESS OFFER SINCE PLANT HAS ONLY NOW COME ON STREAM AT END OF YEAR. HE EXPECTS VERY TOUGH NEGOTIATIONS AS TO WHAT REFERENCE VALUES WILL BE POSTULATED BY GOV FOR 1974 AND SUBSEQUENT YEARS. CLEARLY IN PRESENT NATIONALISTIC MOOD WE MAY EXPECT VENEZUELAN TO INSIST ON A FAVORABLE INTERNAL PRICE CONSIDERABLY LOWER THAN WORLD MARKET PRICE.

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